

The Department of State

Approved For Release 2003/09/30 : CIA-RDP78-01634R000100160029-3

Ref: CIA, memo of March 23, 1956, Item 1-1; memo of Dec. 5, 1956; 50, Dec 10, 1956; 57, Dec 2, 1956; 63, Jan 17, 1957

Subject: Sale of shares in Austria's Two Large Nationalized Banks

Do not DISSEMINATE

The attached half-page advertisement of "people's shares", written in "folksy" style and holding up the broad base of American share ownership as an example for Austrians to follow, appeared in many Austrian newspapers on January 23, 1957. Austrian approval of at least this aspect of the American way of life seems implicit in the statement that the government has decided to offer the Austrian population an opportunity similar to that in the U.S. where "every fifth family presently owns shares" and where millions of families have thus made provision for their future security.

As explained in the reference reports, the sale of shares in the nationalized Kreditanstalt and Kommunikation is expected to raise 300 million schillings. This sum, together with funds to be derived from cooperation by Germany for pre-1945 Austrian assets in Germany, is to cover the 600 million schilling cost of advancing from July 1, 1957, to January 1, 1957, the effective date of a general salary increase for federal employees. Common shares, with voting rights, in a nominal value of 75 million schillings or 10 percent of the banks' capital, are to be sold at 135 percent of par to institutions designated by, and presumably under the control of, the People's Party and Socialist Party. Non-voting preferred shares in a nominal value of 225 million schillings, or 30 percent of the banks' capital, will be sold to the public at 115 percent of par. No sales or subsequent transfers to non-Austrians are to be permitted.

To encourage purchases by persons in the medium and lower income groups, the shares are to be sold in denominated as low as 50 schillings (29.73), which is about 20 percent more than the weekly take-home pay of an average Vienna worker with two children. By paying an additional sum equivalent to interest at about 6 percent per year, a purchaser may spread the cost over five monthly installments. (and UNCLASSIFIED)

Do not DISSEMINATE

Agency comment: This is a step toward the return of nationalized enterprises to private ownership, but it must be recognized that it is an extremely small advance in that direction. In order to obtain real results Socialist

\* It should be noted that de-nationalization is by no means an agreed goal of the government coalition.

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DEPT OF STATE review(s) completed.

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approval, the original People's party proposal to sell 49 percent of the shares in the two banks was amended to specify the present 41 percent, only one-fourth of which will possess voting rights. Even this 41 percent (1/4 of 49 percent) of control will in practice be exercised by the two coalition parties, so it can not be said that any genuine change in the existing governmental direction of the banks is involved.

The prohibition against acquisition of the shares by foreigners, which was a good one despite Austria's acknowledged need for foreign capital, is based upon the ingrained Austrian fear of economic penetration by foreign countries. The tendency at present is to placate this fear by banning foreign investment, as far as nationalized enterprises are concerned, and to give it no encouragement in other cases, rather than to set up regulatory safeguards against abuse.

The absence of an Austrian equivalent of the Securities and Exchange Commission is evidenced by the statement in the advertisement that "you will, of course, receive a dividend every year". The reader is not reminded that dividends are dependent upon net earnings, or that the pertinent legislation provides that an annual dividend will possess a claim only to the earnings of the next two years.

Recognizing that the issuance of this block of "people's shares" is only a small step toward a reduction of governmental ownership and control of the Austrian economy, it should nevertheless be welcomed as a beginning which may stimulate interest in private ownership and help in the development of the capital market.

For the Ambassador

Alexander F. Riosfor  
First Secretary of Embassy

enclosures

Translation of newspaper advertisement

cc: USKO, Paris

CONFIDENTIAL

From translation  
"Times Österreich",  
Vienna, January 23, 1951

BUY SHARES ?

BUY SHARES, BUY SHARES ?

Like you too have asked yourself that question when in recent days you read about people's shares or heard somebody talk about them.

Maybe you shook your head and murmured: "No, that's nothing for me. I am an employee, a worker, a civil servant - what shall I do with shares?"

But you should recall: How often have you thought: "What would be nice, if I had a small amount of capital in a bank when I need money later about the future, about my family, my children - one never knows what may happen etc." or have you never had such thoughts and spoken of it then with your wife, with a friend?

Look, in the United States of America several millions of families get rid of such worries about the future. They did this, do this: They saved up part of their wages as salaries and with that money they joined banks, lines as partners. In other words: They acquired shares, interests in our companies. You will hardly believe it, but in America

EVERY FIFTH AMERICAN INVESTS HIS MONEY

and in Austria. In our country? In our country, the government decided in the past weeks to offer smaller or larger amounts to the population. Beginning with January 20 everybody in our country will be able to purchase shares. You too can join as a partner in one or two of Austria's most important enterprises. You will then own a share in these enterprises, a share the value of which will be secured by the large assets of the enterprises. Moreover, in your capacity as a partner, as a shareholder, you will, of course, receive a dividend every year.

These enterprises, of which at the moment the state is still the sole owner, are the two largest banking institutions of our country:

GENERALBANKEN-UNION and OESTERREICHISCHE LANDBANK

Now you will probably say: "Well, I would be quite interested, but I don't possess several thousand schillings which I could lay out!" Do you know, how much you would have to pay down? Not more than AS 116.50 - and you will pay the rest by instalments. This is enough to buy a 50-schilling share, or if you can spend twice that amount, i.e. 233 schillings, you can purchase a 100-schilling share.

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From Wagon

**RECEIVED**

The banks will then pay you at least 6 per cent interest per year, say even more. But in your case, something else is even more important. Little by little you procure for yourself the "small capital" which you had always longed for - a reserve with a stable value which is guaranteed by the entire property of the banks which is worth billions.

Buy shares? Buy People's shares? You know the answer YES, and don't do to note it down: from January 20 to February 28 in all banking institutions and post offices of Austria!

**THE PEOPLE'S SHARE - YOUR SHARE IN AUSTRIA'S SECURITY**

**THE PEOPLE'S SHARE - THE HARVEST OF CAPITAL WITH A STABLE VALUE**